

Message Text

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ACTION EUR-12

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R 201938Z MAR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4348
INFO AMEMBASSY BRUSSELS
AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
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STATE/BRUSSELS PASS FAA

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TAGS: EAIR, XT, UK
SUBJ: EC AEROSPACE POLICY AS SEEN IN BRITAIN; UK POLICY

REF: (A) STATE 42223; (B) BONN 3242; (C) LONDON 1777
(ALL NOTAL)

1. SUMMARY: WHILE AGREEING WITH THE EC COMMISSION THAT
EUROPE NEEDS PRODUCTS THAT ARE MORE VIABLE COMMERCIALY
IF THERE IS TO BE MORE BALANCED AEROSPACE TRADE BETWEEN
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EUROPE AND THE US, BRITISH AEROSPACE CIRCLES ARE MORE
CONCERNED ABOUT THE COMMERCIAL SUCCESS OF PARTICULAR
PROJECTS, AND DO NOT NECESSARILY SEE EUROPEAN COOPERATION
AS THE KEY. FOR THE BRITISH SUCH COOPERATION IS VALUABLE
IN THE FIRST INSTANCE FOR ITS OWN SAKE, AND TO DEMON-
STRATE BRITAIN'S COMMITMENT TO EUROPE. THE UK IS
CURRENTLY CONSIDERING WHETHER TO OPT FOR EUROPEAN OR

TRANS-ATLANTIC COOPERATION IN THE MEDIUM-RANGE 150-220 SEAT AIRLINER FIELD. VIEWS ARE STRONG ON BOTH SIDES OF THE ARGUMENT. THE DECISION, WHICH IS EXPECTED SOON, WILL AFFECT BRITISH AIRWAYS AND ROLLS-ROYCE AS WELL AS BRITISH AEROSPACE. END SUMMARY.

2. THE AIRCRAFT INDUSTRY OF THE UNITED KINGDOM IS A POLITICALLY IMPORTANT ONE, AS A SYMBOL OF NATIONALIZED INDUSTRY, AS AN EMPLOYER, AND AS A POSSIBLE ELEMENT IN GREATER INTRA-EUROPEAN COOPERATION. BUT THE BRITISH, UNLIKE THE EC COMMISSION (REF A AND PREVIOUS), DO NOT SEE ITS PROBLEMS IN THE FRAMEWORK OF US-EUROPEAN "BALANCE." THEY DO NOT FEEL THAT ITS COMMERCIAL SALVATION NECESSARILY LIES IN GREATER EUROPEAN COOPERATION, LET ALONE A "COHERENT LONG-TERM EUROPEAN STRATEGY" FOR THE INDUSTRY. ON THE OTHER HAND, THEY WOULD AGREE THAT THE EXISTING IMBALANCE IN TRADE IS PRIMARILY DUE TO NORMAL COMMERCIAL FACTORS AND NOT TO US "PROTECTIONISM." (ACCUSATIONS OF US PROTECTIONISM IN THIS FIELD ARE RARELY HEARD. ANTHONY WARRINGTON, UNDER SECRETARY OF THE DEPARTMENT OF INDUSTRY, WHOSE RESPONSIBILITIES INCLUDE CIVILIAN AEROSPACE, RECENTLY TOLD EMBASSY OFFICERS THAT IN HIS VIEW EUROPE'S RELATIVE FAILURE TO SELL CIVILIAN AEROSPACE PRODUCTS IN THE US IS PRIMARILY THE RESULT OF A LACK OF COMMERCIALLY ATTRACTIVE PRODUCTS. HE FELT THAT EVEN ON THE MILITARY SIDE DIFFICULTIES IN MEETING LIMITED OFFICIAL USE

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OFF-SHORE PROCUREMENT TARGETS WERE NOT THE RESULT OF INTENTIONAL PROTECTIONISM, ALTHOUGH SOMETIMES US CONTRACTORS INACCURATELY ASSUMED THAT DISCRIMINATION IN FAVOR OF US SUBCONTRACTORS WAS MANDATED.)

3. ACCORDING TO WARRINGTON, INFORMED BRITISH HAVE REACHED NO FIXED JUDGMENT ON BEST WAY TO PROCEED TO ENSURE PROFITABLE AEROSPACE INDUSTRY, BUT ARE INCLINED TO TAKE PRACTICAL VIEW, I.E., TO CHOOSE MOST PROMISING OF ALTERNATIVES WHETHER "EUROPEAN" OR "TRANS-ATLANTIC" OR BOTH. (THE LAST, HE COMMENTED, IS RULED OUT BY WEST GERMAN INSISTENCE ON A EUROPEAN SOLUTION.)

4. BRITISH PROPONENTS OF PARTICIPATION IN A EUROPEAN AEROSPACE PROGRAM BASE THEIR ARGUMENTS IN FIRST INSTANCE ON CONCERN OVER RELATIONS WITH EUROPE. THEY SEE AEROSPACE AS OFFERING A UNIQUE OPPORTUNITY FOR SIGNIFICANT EUROPEAN COOPERATION IN AN IMPORTANT INDUSTRIAL SECTOR, AND ARGUE THAT BRITAIN'S EUROPEAN PARTNERS WOULD BE INCENSED IF THE UK WERE TO ACCEPT A JOINT VENTURE WITH AN AMERICAN FIRM. THE LOSS OF THE UK MARKET IMPLICIT IN A JOINT BRITISH AEROSPACE-US VENTURE WOULD BE AN

IMPORTANT ELEMENT IN THE EUROPEAN DISPLEASURE. WHILE
COMMERCIAL VIABILITY IS ACCEPTED AS ESSENTIAL, THE PRO-
EUROPEANS CONTEND THAT EUROPE CAN MATCH THE US TECHNIC-
ALLY, AND THAT THE SUCCESS OF THE A-300 SUGGESTS THAT
IT IS CATCHING UP IN MARKETING AS WELL. THEY ALSO
HOPE THAT IN SOME PROJECTS BRITAIN CAN OBTAIN A LEADING

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ROLE THAT WOULD, THEY CONTEND, BE IMPOSSIBLE IN COOPERA-
TION WITH A US FIRM.

5. ACCORDING TO PRESS REPORTS, PRIMARILY IN THE
FINANCIAL TIMES, THE UK LINEUP ON THE ISSUE AT PRESENT
IS AS FOLLOWS:

(A) FAVORING AN AMERICAN SOLUTION:

(1) BRITISH AIRWAYS - WHICH LIKES BOEING EQUIP-
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MENT AND SEES NO REASON TO INTRODUCE EQUIPMENT UNRELATED
TO ANY IN ITS FLEET. (THERE ARE INDICATIONS THAT THE
BAC-111-600 (ULTIMATELY WITH RB432 ENGINES) IS CURRENTLY
TIED WITH THE B737 IN THE RUNNING TO MEET BA'S IMMEDIATE
REQUIREMENT FOR 20 AIRCRAFT TO REPLACE ITS CURRENT
TRIDENTS AND BAC-111S. SEE REF C AND PREVIOUS.)

(2) ROLLS-ROYCE - WHICH WOULD HAVE LITTLE
PROSPECT OF HAVING ITS ENGINES USED IN ANY NEAR-TERM
EUROPEAN PROJECT AND COULD WELL BE A CASUALTY OF A
EUROPEAN SOLUTION.

(LIKE BRITISH AEROSPACE, BOTH THESE ENTERPRISES ARE
GOVERNMENT-CONTROLLED.)

(B) LEANING TO AN AMERICAN SOLUTION: THE DEPARTMENTS
OF INDUSTRY AND TRADE - WHICH ARE INFLUENCED BY BRITISH
AIRWAYS AND ROLLS-ROYCE AND SEE AMERICAN FIRMS, PARTICU-
LARLY BOEING, AS SURER COMMERCIALLY THAN THE EUROPEANS.
WARRINGTON COMMENTED IN ADDITION THAT THE FRENCH INSIST-
ENCE ON BEING IN CHARGE MAKES A EUROPEAN SOLUTION
DIFFICULT.

(C) FAVORING A EUROPEAN SOLUTION: THE FOREIGN OFFICE
AND OTHER PRO-EUROPEANS IN THE GOVERNMENT. THE MINISTRY
OF DEFENSE WANTS EUROPEAN COLLABORATION ON THE NEXT
GENERATION OF FIGHTER AIRCRAFT, AND MAY THEREFORE FAVOR
CIVIL COLLABORATION AS WELL.

6. CONSPICUOUSLY ABSENT FROM THE LINEUP ABOVE IS BRITISH
AEROSPACE (BAE) ITSELF, WHICH APPARENTLY HAS STRONG
PROponents OF BOTH SIDES. THE PRO-EUROPEANS SEEM TO BE
DOING MOST OF THE CURRENT RUNNING. WARRINGTON COMMENTED
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THAT BAE IS JUST LISTENING TO US PROPOSALS FOR COOPERATIO
ON AIRCRAFT IN THE 150 TO 220-SEAT RANGE WHILE TAKING A
SOMEWHAT MORE ACTIVE PART IN LOOKING AT EUROPEAN POSSI-
BILITIES. ON MARCH 8 BAE, AEROSPATIALE, MESSERSCHMIDT
AND VFW-FOKKER ANNOUNCED A MEMORANDUM OF UNDERSTANDING
THAT WAS INTENDED TO DEMONSTRATE "THEIR RESOLUTION TO

WORK TOGETHER" AND PROVIDED, AMONG OTHER THINGS, FOR A JOINT SALES TEAM. BUT BAE SOURCES INSISTED THAT THIS DID NOT MEAN A DECISION HAD BEEN REACHED, AND THE STRUGGLE GOES ON.

7. WARRINGTON SAID HE EXPECTED A DECISION BY THE END OF MARCH, WHEN AN ATTRACTIVE BOEING OFFER IS SLATED TO EXPIRE. A FINANCIAL TIMES ARTICLE OF MARCH 10 SPECULATES, HOWEVER, THAT THE PRIME MINISTER WILL HAVE TO BECOME PERSONALLY INVOLVED, AND THAT SOME DELAY IS LIKELY. (THE BOEING OFFER REPORTEDLY WOULD MEAN THE UK WOULD HAVE NEARLY 50 PER CENT OF THE 757 (PROPOSED 160-SEATER) PROJECT.)

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8. EC COMMISSION AEROSPACE POLICY, AS SUCH, IS VIRTUALLY INVISIBLE HERE, AND WARRINGTON COMMENTED THAT IT WILL REMAIN IRRELEVANT UNLESS THE COMMISSION STARTS PUTTING UP SOME MONEY. EUROPEAN COOPERATION MEANS COOPERATION WITH INDIVIDUAL EUROPEAN STATES, PRINCIPALLY FRANCE AND WEST GERMANY, BUT ALSO COUNTRIES LIKE ITALY AND SWEDEN.

9. IN RELATED COMMENTS, WARRINGTON:

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(A) CONFIRMED THAT THE EUROPEANS ARE GIVING THE B-10 PRIORITY OVER A 150-SEATER. HE UNDERSTANDS THAT BOEING TOO IS GIVING PRIORITY TO THE 200-SEAT SIZE (I.E., ITS 767);

(B) CONFIRMED THAT THERE IS NO PLACE FOR A ROLLS-ROYCE ENGINE IN THE PROPOSED EUROPEAN 150-SEATER, WHICH IS TO TAKE THE GE-SNECMA CMF-56;

(C) SAID THAT BRITISH AEROSPACE HAS NOT YET DECIDED WHETHER OR NOT TO GO AHEAD WITH THE PROPOSED 70 TO 100-SEAT HS-146. IF IT DOES, THE ENGINES WILL ALMOST CERTAINLY BE AVCO-LYCOMING.

10. RELATED PRESS REPORTS BEING SUBMITTED BY AIRGRAM.

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